P 8E

App. F. IX-4

Previous References

1934-31
(G.2)

File No. 530-34
Serial Nos. 1 to 2

PRESERVED

Later References.

GENERAL AND REVENUE SECRETARIAT

Serial Nos.

Part B for January 31

SUBJECT.

Recovery of the increased rate of Royalty rent from the Mining Companies in Mysore

WD 01965—GPB—15,000—7-7-34

To the Director of Geology

Informs him that the above applies only to the period of the new lease of the K.G.F. Mines, i.e. from the Year 1940

FINANCIAL DEPT. 3221 16.1.35.

G.7-530-34-1

GOVERNMENT OF MYSORE

Telegraphic Address:—"GEOL."

MYSORE GEOLOGICAL DEPARTMENT,

No. 8066-38

Bangalore, 11th January *1935.*

FROM — B. Rama Rao, Esq., M.A., D.I.C., F.G.S.

A. M. SEN, Esq., M.Sc., F.G.S., etc.,
Offg. *Director of Geology in Mysore,* (In Charge),
Bangalore.

To The Financial Secretary to the Government of His Highness the Maharaja of Mysore,

Bangalore.

SIR,

Adverting to your memoranda dated 6th February 1934 and 8th March 1934 embodying the result of discussion with the representatives of the Kolar Gold Mining companies regarding the renewal of the Kolar Gold mining leases beyond 1940, I have the honour to request to be informed if as in the case of the revised rates of royalty which have come into force from 1st January 1.34, the ground rent also is to be recovered at an increased rate from 8 annas to Re.1/- per acre per annum with effect from the above date, from the mining companies. This information is required in connection with the assessing and recovery of the annual rent from the several companies on the Kolar Gold Field for the year 1934.

The favour of an early reply is requested.

I have the honour to be,
Sir,
Your most obedient servant,

B Rama Rao

Director-in-Charge,
Mysore Geological Department.

Bs.11/1

W

Reference is invited to para 6 of the Memorandum. The increased rate of ground rent applies only to the period of the new lease, i.e., from the year 1940. The Director will, if approved, be informed accordingly.

OFFICE OF THE FIRST MEMBER OF COUNCIL 25 JAN 1935 No. 5-489 NOTE—Centre Sheet. 5-481

WD 0195—GPB—22,500—12-6-34

22-1-35

Secy) 23/1/35

File No. of 193 | General and Revenue Secretariat

draft reply submitted for approval.

Z W
28-1-35

Issue
28/1/35.

2L 6267 of 30/1/35

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Z W

29-1-35.

Appendix F G—1]

SUBJECT .....

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Section G.7

File No. 530-34

Serial No. 2

Diary No. of letter replied to .....

No. 26367

To

The Director of Geology

Bangalore

General and Revenue Secretariat

( )

the *193*

Sir,

Date of issue 30/1/35

Signed by .....

With reference to your letter no 8066-38 dated 11th January 1935, I am directed to state that the increased rate of ground rent applies only to the period of the new lease of the Kolar Gold Mines, i.e., from the year 1940

Secretary

List of enclosures .....

28/1/35.

for Secy

Copied by .....

28-1-35

Examined by .....

WD 01956—GPB—22,590—12-6-34

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE

General and Revenue Secretariat

No. 26367 *Bangalore, Dated,* 29 - 1 - 1935.

F 7530-34-30

From

S. Shamanna, Esquire, B.A
Financial Secretary to the Government of His Highness the Maharaja of Mysore.

To

A.M. Sen, Esquire, M.Sc., M.I.M.E., F.G.S.,
Director of Geology in Mysore, Bangalore

Sir,

With reference to your letter No. 8066-38 dated the 11th January 1935, I am directedto state that the increased rate of ground rent applies only to the period of the new lease of the Kolar Gold Mines, i-e., from the year 1940.

I have the honor to be,
S i r ,
Your most obedient servant,

M. Shamanna

for Secretary to Government,
Financial Department

P.H.

Confidential.

MEMORANDUM DATED, 6TH FEBRUARY 1934, EMBODYING THE RESULT OF DISCUSSION WITH THE REPRESENTATIVES OF THE KOLAR GOLD MINES, MESSRS. RALPH NYE AND KENNETH TAYLOR, ON 24TH JANUARY 1934 AND EARLIER DATES IN REGARD TO THE QUESTION OF THE RENEWAL OF THE KOLAR GOLD MINING LEASES.

Terms on which the existing Mining Leases may be renewed beyond 1940 when the term of present leases expires.

Subject to a satisfactory settlement of the question of Premium—*vide* para 9 *infra*—Royalty payable to Government under the new lease on all gold metallic ores, etc., may be as detailed below :—

(i) A basic Royalty of 5 per cent upon the net sale proceeds of all gold metallic ores, etc., found on the mining block as per clause 7 of the existing lease.

(ii) In lieu of clause 9 of the present lease, a supplemental Royalty on profits, being a prescribed percentage of (a) the dividends paid to shareholders or (b) adjusted profits, whichever may be more, according to the following sliding scale :—

If the rate of dividend on capital is :	*Percentage of share on dividends payable or on adjusted profits, whichever is more*
Under 7½ per cent	2½
,, 15 ,,	5
,, 25 ,,	7½
,, 30 ,,	10
,, 35 ,,	12½
,, 45 ,,	15
,, 55 ,,	20
,, 70 ,,	25
,, 85 ,,	30
,, 100 ,,	35
100 per cent and above.	40

For arriving at the adjusted profits, the total income of the mines from all sources appearing in their published accounts will be taken, adding thereto the amount of supplemental Royalty (if it has been previously deducted), and deducting therefrom, transfer fees and sale proceeds, profits and interest on outside investments (current interest received in the ordinary course of operations being, however, included). For expenditure, the actual working expenses shown in the published Revenue Account of the mines will be taken, with an addition of 15 per cent thereof on account of provision for Depreciation and Capital expenditure, and adding the actual Provident Fund payments appearing in the published Profit and Loss Account. The difference between these two will be taken as the adjusted profits.

If within a reasonable time, *i.e.*, by the beginning of June 1934, the terms mentioned in this Memorandum are not accepted by the Mining Companies, they should be regarded as having lapsed.

The Mysore Government have deliberately pitched the above scale lower than what they would otherwise have required, in consideration of a satisfactory amount of Premium being paid for the renewal of the Lease. If this does not happen, the Government will expect the above scale to be revised on more favourable terms to them. The above scale will have therefore, to be considered, in conjunction with the question of the Premium referred to in para 9 *infra*.

2. Dividend paid to shareholders will be regarded as including all payments or bonuses distributed to shareholders in whatever form other than return of Capital.

3. As the share payable to Government depends upon the rate of dividend which, in its turn, depends upon the amount of capital, any increase in share capital other than against payment of cash at not less than par value, should not be taken into account in arriving at the share payable to Government, without the approval of Government.

4. When the Mines have different classes of shares—Ordinary and Preference—and different rates of dividends are given for each, the supplemental Royalty payable to the Mysore Government will be based on the average rate of dividend, *i.e.*, the percentage which the total amount of dividend paid to all shareholders bears to the total paid-up Capital.

5. Assignments of lease and sub-lease require the specific approval of the Government.

6. The persent rate of ground rent, *viz.*, Re. 0-8-0 per acre per annum will be increased to Re. 1-0-0 per acre per annum to be in conformity with the rate of ground rent now charged on all mining lands in the State.

7. Clause 22 of the current lease will be modified so as to permit the award made by Arbitrators with regard to disputes regarding compensation being filed in Court and enforced as a decree subject to the provisions of the Mysore Arbitration Regulation.

8. Regarding the larger employment of qualified Mysoreans to responsible places in the various departments particularly in Electrical, Mechanical, Engineering and Metallurgical Sections, the Mining representatives stated that they appeciated the point of view of Government and would try to do what they could in the matter.

Premium.

9. In consideration of (i) the high price of Gold ruling for some years and expected to continue for some time in future, on which Excess profits tax has been levied in some other countries, (ii) the large share of net profits diverted in the past for purposes other than dividends on which the Mysore Government did not get a share, (iii) grant of a fresh lease, (iv) the moderate rates of Royalty proposed for the fresh lease and (v) the new lease being for thirty years when it is possible to hold that twenty years may be regarded as a reasonable period, the Mysore Government expect an adequate premium, as a consideration for renewing the leases. The Mining representatives said that it was not possible for them to say how the above proposal would be viewed by the Shareholders and the Directors in London and that such a payment if made might take the form of giving

Government a portion of the extra amount that would become payable to the Mysore Government, if the terms of the new lease were made applicable from now for the remaining period of the current lease and that they would place the matter before the London Authorities.

Mining in New Areas.

10. Mr. Taylor wanted permission to do prospecting and mining work in other areas in the State on suitable terms. He was informed that he might send up proposals for consideration with alternative terms based on (i) the South African rates and terms and (ii) the terms prevailing in Mysore, for consideration after the main question, *viz.*, renewal of the present leases, is settled.

BANGALORE,
6th February 1934.

S. SHAMANNA,
Financial Secretary.

MEMORANDUM, DATED 8TH MARCH 1934, EMBODYING THE RESULT OF DISCUSSION WITH MR. RALPH NYE, EXECUTIVE MEMBER OF MESSRS. JOHN TAYLOR AND SONS' COMMITTEE, ON THE 5TH AND 7TH MARCH 1934, IN REGARD TO THE QUESTION OF THE PAYMENT OF PREMIUM AS A CONSIDERATION FOR THE RENEWAL OF THE LEASES OF THE KOLAR GOLD MINES.

Having considered the two telegrams dated 28th February 1934 and 8th March 1934 sent by the Board of Directors in London and having discussed the matter with Mr. Ralph Nye, the Government of Mysore agree to accept the following arrangement :—

(1) The Companies will give in place of the prevailing two and half per cent on dividends a participation in profits for the remaining years of the present leases, commencing from 1st January 1934, according to and on the basis of two-thirds of the scale fixed for Government's participation under the new leases, subject to the proviso * that the amount payable by each mine in any year shall not be less than the two and half per cent on dividends now being paid.

(2) The Mysore Government will undertake not to impose during the remaining period of the currency of the present lease, any special taxation on Kolar Gold.

BANGALORE,
8th March 1934.

S. SHAMANNA,
Financial Secretary.

NOTE.—* This proviso was subsequently deleted (*vide* Financial Secretary's D. O. dated 16th March 1934 to Mr. Ralph Nye) at the instance of Mr. Ralph Nye on the understanding that action will be taken by the Mines while drafting the agreement or otherwise to cover the point at issue, *viz.*, to protect the existing covenant whereunder two and half per cent on dividend is payable to Government.